

The Rt Hon Eric Pickles MP

Secretary of State for Communities and Local Government
Department of Communities and Local Government
Eland House
Bressenden Place
London SW1E 5DU

Date: 26 September 2014

Dear Secretary of State,

DCLG technical consultation on planning

I am writing to you as Chair of London Assembly Planning Committee to ask you to reconsider the Government's proposals set out in section 2 of the technical consultation document which propose *"new permitted development rights, consolidating the legislation and simplifying the planning process, further reducing red tape and speeding up the planning system"*.

Section 2 contains a number of proposals that are of concern as they seek to enable developers to create new homes from light industrial and warehouse buildings, sui generis uses, offices and shops. Government also proposes to retain the previously introduced relaxation for extensions to dwellings and businesses.

The Assembly does not support a number of the Government's proposals contained in the consultation documents at Section 2. It previously objected to the consultation on permitted development rights in 2013.

In his 2013 consultation response, the Mayor noted that the London Plan aims to ensure that London continues to excel as a world capital for business, while also supporting the success of local economies and neighbourhoods in all parts of the capital. Office employment and office floorspace in London boroughs make a very substantial contribution to London's economic sustainability; their loss would diminish the opportunities for new start-ups and for sustaining the growing SME sector which is so vital for economic growth and employment creation. Local employment opportunities are vital to support those with childcare and other caring commitments and as a key element of our strategy to make London sustainable and avoid putting additional stress on already congested transport infrastructure. The needs of these office clusters are best addressed through sensitive, realistic local policies in the conformity with those set out in the London Plan, which allow for loss as appropriate. In these particular clusters, this managed approach could be undermined through the operation of the permitted development rights proposals.

The Mayor also highlighted the importance of London's Strategic Industrial Locations (SIL) as vital to providing capacity for activities such as logistics, waste management, utilities, land for transport and industrial 'services. Locally Significant Industrial Sites are also vital for local industrial type functions and meeting other more local needs including the availability of low rent accommodation which supports a range of local employment. Conversions of existing office buildings in these locations to residential, or indeed of the industrial premises themselves, could seriously compromise the locations' economic viability, operational efficiency and employment. This could also be compromised if these locations are given hope value through the promise of potential conversion. The substantial adverse economic consequences at the local authority and wider London and metropolitan level would not be offset by the positive benefits the Government believes these new rights would bring.

The Assembly considers that these proposals will prove disastrous for London. Considering that residential values in London are so far above any other use, there will be a significant and unsustainable loss of employment, retail and leisure uses in every area of London, should the proposed changes be adopted. This will significantly damage London's economy and deprive communities of jobs and access to vital shops and other services (e.g. launderettes).

A number of areas of London were granted exemptions from the permitted development rights for offices introduced in 2013 on the basis that these were of national and strategic importance in terms of economic activity. **The Assembly is strongly opposed to the Government's intention to remove these exemptions** (paragraph 2.42 of the consultation document) – if the Government accepted the argument that the proposals made in 2013 would lead to the loss of a nationally significant area of economic activity or substantial adverse economic consequences, then these arguments and justifications still apply. We would like to reiterate our cross-party support for the Mayor's position noting that even though current office vacancy rates across London are comparatively high, most space is in fact occupied and it is crucial that existing employment is not compromised.

The Assembly is aware of recent research by the Local Government Association on the impact of the 2013 new permitted development rights on local authorities and their local authority area.¹ The research findings support the Assembly's concerns about further extending permitted development rights as proposed by the Government in this consultation. For example, the research found:

- A majority of respondents feel that there have been negative impacts of the prior approval system for change of use;
- 60 per cent of authorities feel changes to the Permitted Development Order has reduced contributions for affordable housing, and reduced contributions for infrastructure through section 106 agreements; and
- In excess of 2,100 additional affordable homes would have been built in London had the conventional planning process been followed.

¹ General Permitted Development Order Survey, National Results ,LGA September 2014

The Assembly's Planning Committee held a meeting on 13 March 2013 to discuss the original office to residential proposals with a range of stakeholders and experts, including officers from two London boroughs, the Mayor's senior planning officers, the Royal Town Planning Institute, property consultants, a former Government planning officer and the Federation of Small Businesses' London branch. Although the guests represented different fields in both the public and private sectors, they were unanimous in their opposition to the proposal.

The expert panel was deeply concerned at the impact the proposed permitted development (PD) rights might have on London's economic recovery, on the delivery of good standard homes for all, and on London's infrastructure and amenities. These arguments apply equally, if not more so, to the current proposals being consulted on. Taking into account these concerns as well as the impacts felt to date, the Assembly would, again, strongly urge Government to review these matters before making a final decision on issuing regulations concerning the new PD rights.

1 Summary

The Committee has heard from experts that the planning system already has the tools available to allow change of use from office or other uses to housing, and that these were strengthened by the NPPF. Where there is surplus office and business space, local authorities can and should carry out change of use in a managed and strategic way. This is also true for other employment uses such as light industrial and warehousing.

Furthermore, the experts pointed out the contradiction of the proposal with localism. Under the new PD rights, neither local authorities nor local people will be consulted on what kinds of premises are being converted and in which locations. There is also serious concern about the quality and affordability of the housing that would result from such conversions, and whether the infrastructure to support this housing will be put in place.

Finally, the Committee heard worrying evidence about the impact on the economy. Central London comprises two thirds of the capital's office space, and without strong safeguards this proposal could result in a loss of up to a quarter of that capacity. Moreover, the changes could make it particularly difficult for start-ups and small and medium-sized enterprises (SMEs) to find the business spaces they need to thrive. Many such spaces will either be lost to residential uses or their hope value will drive up rents beyond the reach of smaller businesses.

2 Support for a plan-led system

The panel of experts at the Committee's March 2013 meeting agreed that the proposals go against the well-established principle of a plan-led system. It removes significant development from the control of not only professional town planners and elected officials, including local councils and the Mayor, as well as Londoners who will no longer have the ability to comment or make representations on potentially substantial changes to their communities and their local built environment.

3 Unnecessary proposal

Planning authorities already have the tools available to deal with local oversupply of offices, and the supply and qualitative problems in the market. Local plans and up to date evidence provide the

mechanism to control the stock of offices and other employment sites and the supply of new land for housing. The NPPF introduced a presumption in favour of change of use from offices to housing, particularly in areas with a shortage of housing². An additional policy lever such as the proposed PD rights is therefore unnecessary in London.

NPPF paragraph 51 allows local authorities to manage and deliver solutions for redundant commercial space but also to secure a range of section 106 obligations, enforce planning conditions and collect CIL payments. Through the PD rights approach none of this is applicable, which removes all control over the housing mix in terms of the unit sizes and provision of affordable units, limits control over open space standards and could lead to sub-standard housing developments in unsuitable surroundings.

4 A blunt and undifferentiated tool

Richard Pestell, representing the Royal Town Planning Institute, has warned the London Assembly that the PD rights are:

“an incredibly blunt tool, far too blunt for what is quite a complex issue which is not confined to town planning. The problem is far more fine-detailed than the universal approach would suggest. Being blunt also has huge unintended consequences that we cannot yet quantify”.

Michael Bach, Planning and Transport Committee Chairman at the London Forum of Amenity and Civic Societies and former principal planner at the Office of the Deputy Prime Minister, argued that the PD rights proposal had been rushed in with very little evidence base and was consequently unsubstantiated.

We note that the use class order does not distinguish vacant from occupied offices, light industrial spaces or shops and that there is, therefore, a great danger that the proposed PD rights may primarily target occupied premises in attractive locations with higher financial return that are easier to convert and not the long term underused or derelict office space, warehouses or shops that the proposal is aimed at. It could thus be most damaging for areas with clusters of small, start-up firms and also town centres, undermining the viability and vitality of those areas - a particular concern for outer London areas with high concentrations of SMEs.

Since the PD right were introduced, data on 1,452 Class J (office to residential) prior approvals (for the period up to 14 August 2014) has been received by the GLA, of which 887 applications have been approved. Of the approved schemes, details of floorspace losses are available from 628 which account for a total of over 410,000 square metre of floorspace, averaging roughly 650 square metres per scheme. The highest losses were documented in the Boroughs of Croydon, Camden and Harrow. Most worryingly, 208 premises lost to residential conversions in London have been recorded as fully occupied and a further 96 as part occupied while 179 were fully vacant.

² NPPF paragraph 51 sets out that local planning authorities: *“should normally approve planning applications for change to residential use and any associated development from commercial buildings (currently in the B use classes”*

As an example, Premier House, an office block in Edgware, was home to about 120 businesses, from travel agents to software developers, some of which have been there for more than a decade. The occupants have recently been given notice to vacate the property so it can be converted into flats, with a large percentage given just six weeks to do so. There are many more cases documented in London – almost one in three of RICS surveyors in the south of England recently interviewed for a piece of research said that permitted development rights to convert offices into homes were having a substantial impact on commercial market activity.

5 Unintended consequences for London's economy

The Committee's entire panel of expert guests expressed concern that the proposals will have huge unintended consequences for the supply of office space and the London economy and that a lot of the potential risks and benefits have not yet been quantified. The **lack of substantial evidence** supporting potential benefits and risks of the proposals was considered to be particularly worrying. This is equally a concern for light industrial locations and warehousing.

Sue Terpilowski, London Policy Chairman at the Federation of Small Businesses told the Committee that the Federation's members:

"are worried about [the impact on] economic growth, worried about rents going up and about a lack of what we call oven-ready space - the quirky space that micro and small businesses like to be in - it will be diminishing. A lot of these community based businesses thrive off each other and are interdependent. If space is not available where do they go? The proposal will be driving people out of London".

The central London office market comprises about 18 million square metres of space as reported in 2013, about 64 per cent of the London total. Work done by the GLA and tested by Jones Lang LaSalle, estimates that at the time around 4 million square metres of office space were at risk as a result of the proposed PD rights. That is about 23 per cent, almost a quarter, of the central London stock which could accommodate 270,000 to 340,000 jobs.³

It is vital that an appropriate balance between the need for new housing sites and industrial land is retained. It is evident that London's housing need is making industrial land ever more vulnerable. Evidence exists that a significant amount of industrial land has already been lost to housing (for example over 100 hectares in Park Royal to date). These proposals may accelerate this loss without the specific protection for employment land given by the existing Use Classes Order.

Residential land values are nearly twice that of office use in most of London, and several times higher in some parts of the capital. When the differential is so large and any windfall profits are equally large, there is a risk that landlords would seek to buy out or evict tenants early in order to convert employment premises – whether vacant or occupied – within the three year window set out by the government's proposal. Warehousing, because of its larger footprint, and light industrial uses, often located in mixed use areas, could be at an even greater risk from conversion. The 'hope value' creates

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<http://www.london.gov.uk/sites/default/files/2.%20Mayor%20exemption%20request%20for%20nationally%20important%20office%20locations.pdf>

even bigger pressure and uncertainty for the London business community and could cumulatively cause serious damage to London's recovering economy.

The exempted zones previously secured by the Mayor and Boroughs, for example for the CAZ and the Isle of Dogs as well as individual town centres, would help to significantly reduce the risk to businesses and **should, therefore, be retained and extended further where cases can be made under the criteria established in 2013.**

6 Case for London-wide exemption

London is an exceptional case. In addition to being the engine of the UK economy, it enjoys unique governance structures and mechanisms. Keith Hearn, Senior Director and Head of London Planning at CBRE, made the point that:

“while at national level there could possibly be opportunities where the new permitted development rights could have a positive impact, the complexity of London and the dynamism of its economy dictates that the need for a robust plan-led system ought to be at the forefront of the thinking”.

The London Plan, London's strategic development plan and a strategic evidence base document, puts London and the boroughs in a far better position to control any office oversupply in a strategic way than many other authorities around the country. John Lett, Principal Planner at the GLA, advised the Committee that the principle of changing from surplus offices to housing, or indeed any other use, where appropriate, is well enshrined in the London Plan. The Mayor has a carefully formulated methodology for releasing surplus space set out in the Housing Supplementary Planning Guide which was yielding about 4,000 completions a year before the introduction of the temporary permitted development rights.

Aside from the main nationally important office locations in London that should be exempted from the proposed PD rights (the Central Activities Zone CAZ, Canary Wharf, Tech City, and the Royal Docks), there are other strategic employment locations in London which play an important role in sustaining growth and employment. Cumulatively, taken together, these are of strategic importance to London's and indeed the national economy. The strategic context the Mayor of London has set out in his exemption submission to Government is in most cases reflected in the targeted approach that boroughs have taken in their bids for exemption from the PD rights implementation.

7 Betting shops

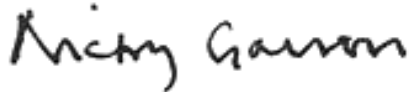
Finally, Section 2 (Proposal E) sets out a range of changes for the retail sector, including a revision of the Use Class Order, incorporating into a revised wider A1 use class the majority of financial and professional services currently found in A2 apart from betting shops and pay day loan shops (paragraphs 2.59 – 2.63, Question 2.9.).

The Assembly supports this aspect of the Government's plans. The London Assembly's Economy Committee, in its 2013 report on empty shops, has recommended that Government should amend planning regulation to allow boroughs to address the rise in the number of betting shops, pawnbrokers and payday loan shops to increase diversity and variety on the high street. Respective

changes to the Use Class Order should ensure that these types of shops always require specific planning permission.

In conclusion, the Committee urges the Government to reconsider its proposals to extend change of use permitted development rights for light industrial and warehouse buildings, sui generis uses, offices and shops, and the proposal to revoke the exemption zones previously granted for Greater London.

Yours sincerely,

A handwritten signature in black ink that reads "Nicky Gavron". The signature is written in a cursive, slightly slanted style.

Nicky Gavron AM

Chair of the Planning Committee

Cc:

Brandon Lewis MP

Minister of State for Housing and Planning